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## Company Announcement

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### **FIRST QUARTER ACTIVITY REPORT TO 30 SEPTEMBER 2007**

This report is technical and shareholders may wish to seek independent, professional advice before reaching any conclusions. Statements may be forward looking and speculative.

#### **THE COMPANY'S ACTIVITIES**

##### **1. ULEY GRAPHITE MINE – PORT LINCOLN, SA (EBR 100% and diluting to 25% free carried to commercial production) GRAPHITE USE IN RENEWABLE ENERGY HEAT SINKS**

A recent presentation by the farminee Mikirra Graphite Pty Ltd in Sydney to the company's chairman, Jim Craib, indicated the process in which the Uley graphite will be used.

1. A \$17.6 million funding package announced on 02 May 2007, by MP Malcolm Turnbull, Minister for the Environment and Water Resources included \$5.0 million for a Demonstration Plant for an Energy Storage System using high purity graphite blocks;
2. Details of graphite processing and high purity graphite heat storage, the subject of this government grant can be found at <http://www.lloydenergy.com/heatprint.htm>. The large heat storage systems are known as 'heat sinks'.

At the heart of the system is the Graphite Block Energy Storage System. High purity graphite has unique properties that make it ideal as an energy storage medium namely:-

- High melting point (over 3500°C)
- High specific heat (capacity to hold heat energy)
- Low emissivity (does not radiate heat readily)
- Extremely stable

The storage capacity of high purity graphite ranges from around 300kWh (thermal) per tonne at a storage temperature of 750°C to around 1000kWh (thermal) per tonne at 1800°C.

The ability to store energy produced in off peak times for on peak utilisation has been the main hindrance to the replacement of coal/oil energy sources with zero CO<sub>2</sub> emission renewables.

3. Eagle Bay's farminee's associate, InterTech Systems Pty Ltd, made public announcements on 25 October 2007 of:

3.1 Their patented Ore Refining Technique to raise the purity of Uley graphite for use in heat sinks.

3.2 InterTech Herbo Sequestration System, a system which will use high purity graphite heat sinks in the sequestration of carbon in agriculture.

3.3 The PENTARCO Development (Pentarco = Prototype Environmentally Neutral Technology Advanced Research Community) as extracted from the InterTech release:

*Pentarco will be established with a 100 year plus vision, and will have aspirations to minimise dependency on oil and gas resources. Its principal source of energy will be naturally occurring coal that will be refined and used in power generation, transport, manufacturing and space heating. The unifying purpose of Pentarco will be the reduction of man's carbon footprint.*

4. A major state Government announcement in relation to the joint funding together with the coal industry of the Pentarco Development including the utilisation of refined graphite heat sinks from Eagle Bay's Uley Graphite Mine was foreshadowed for early November 2007 by InterTech at this last briefing.
5. Eagle Bay is unable to independently verify the details of InterTech's briefing but accepts them on face value and makes no warranties as to their accuracy.
6. We have no indication at this stage of the profitability of the project.

## 2. OIL AND GAS EXPLORATION

### 2.1 PEL-182 - (EBR 37.6% AND OPERATOR) ONSHORE PETROLEUM EXPLORATION – COOPER BASIN, S.A

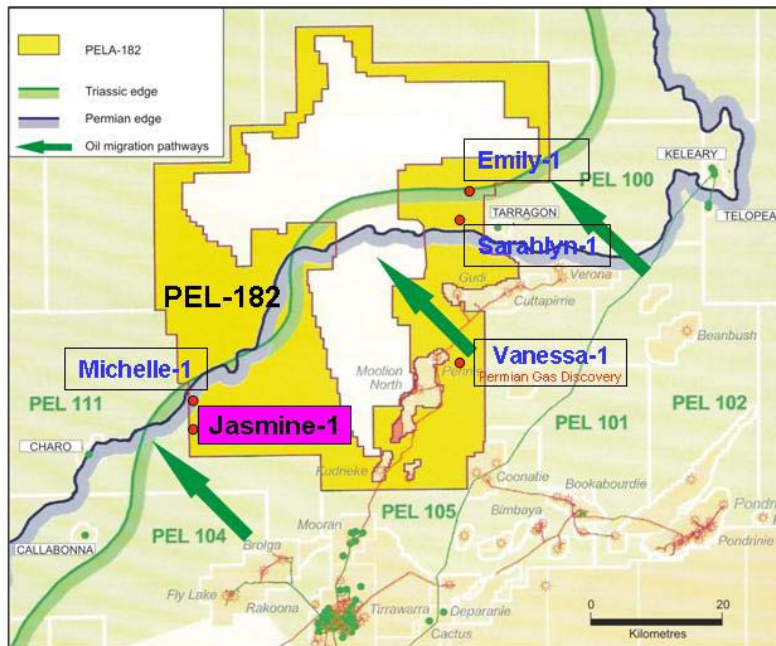
Century Rig-3 was mobilised from Moomba in May 2007 for a 2 well drilling program in the Eastern part, and optional 2 wells in western part of PEL-182, Cooper Basin, S.A.

The Sarahlyn-1 well was dry - and was Plugged and Abandoned.

The Vanessa-1 was a new Permian Gas Discovery - with an estimate gas resource of 15 BCF, and was cased and suspended for future gas production.

The Jasmine Stratigraphic Oil Prospect in the SW part of PEL-182 has been upgraded by recent reprocessing of old multi-vintage 2D seismic data, plus 2D seismic inversion work, and plans are underway to drill this at a new location in late November 2007, again using Century Rig-3.

**PEL-182 - (EBR 37.6% AND OPERATOR)**



- 1 Emily-1  
Oil Recovery - cased
- 2 Sarahlyn-1  
Dry P&A
- 3 Vanessa-1  
Gas Discovery - cased

**PEL-182**      **5 WELL Y1 DRILLING PROGRAM**  
**Jasmine-1**      **4<sup>th</sup> well – spud 4Q 2007**  
 Michelle-1      Deferred new 3D Seismic Program in 2Q 2008

**2.1.1 VANESSA-1 TD 3157m NEW PERMIAN GAS DISCOVERY**

The Vanessa-1 well spudded on 12<sup>th</sup> May 2007, and drilled to final TD of 3061m. Vanessa-1 encountered the primary Permian gas objectives in the Toolachee, Epsilon and Patchawarra sands, with each sand recording gas shows in the mud while drilling - although sometimes masked by high gas readings from the local coal seams.

3 zones were drill stem production tested (DST'd) as follows: -

DST-1A	Epsilon Sand	2977 -2980m	5.1 MMscfd on ½” choke at 800 psi FP
DST-1B	Epsilon Sand	2960 -2963m	No Flow-Tool Plugged? (should flow?)
DST-1C	Toolachee Sand	2239 -2932m	3.9 MMscfd on ½” choke at 525 psi FP

No DST's were run in the deeper Patchawarra Fm, as blocked by coal obstruction in original drill hole. These coals also resulted in the DST tools becoming stuck and lost down hole. A new sidetrack hole was successfully drilled past this obstruction, and successfully logged to the new TD, confirming additional gas zones in the deeper Patchawarra Formation. These will be evaluated later by cased hole production DSTs.

The Vanessa gas zones are similar intervals as are producing from the producing SANTOS Pennie-1 Gas Field, only 4 Km up-dip from Vanessa-1, discovered in 1995 and on production ever since.

The gas gathering pipeline to Moomba passes through the Pennie-1 location.

### 2.1.2 VANESSA ESTIMATED GAS RESOURCE

Preliminary analysis of log and DST data indicates the Vanessa-1 well appears to have achieved a source potential in the order of 15 Bcf of gas, based on pre-drill mapping. In conjunction with future cased hole production testing, the operator is currently undertaking detailed geological and geophysical studies, to define the reserve potential of the Vanessa gas pool.

Similar follow up prospects also lie nearby to the Vanessa-1 location in PEL-182, and in the event of success could be tied into Vanessa 1 to increase proven reserves and gas deliverability to point of sale, using nearby infrastructure.



**Vanessa-1 Gas Discovery – Flaring at 4.9 MMCFD at 750 PSI on ½” choke**

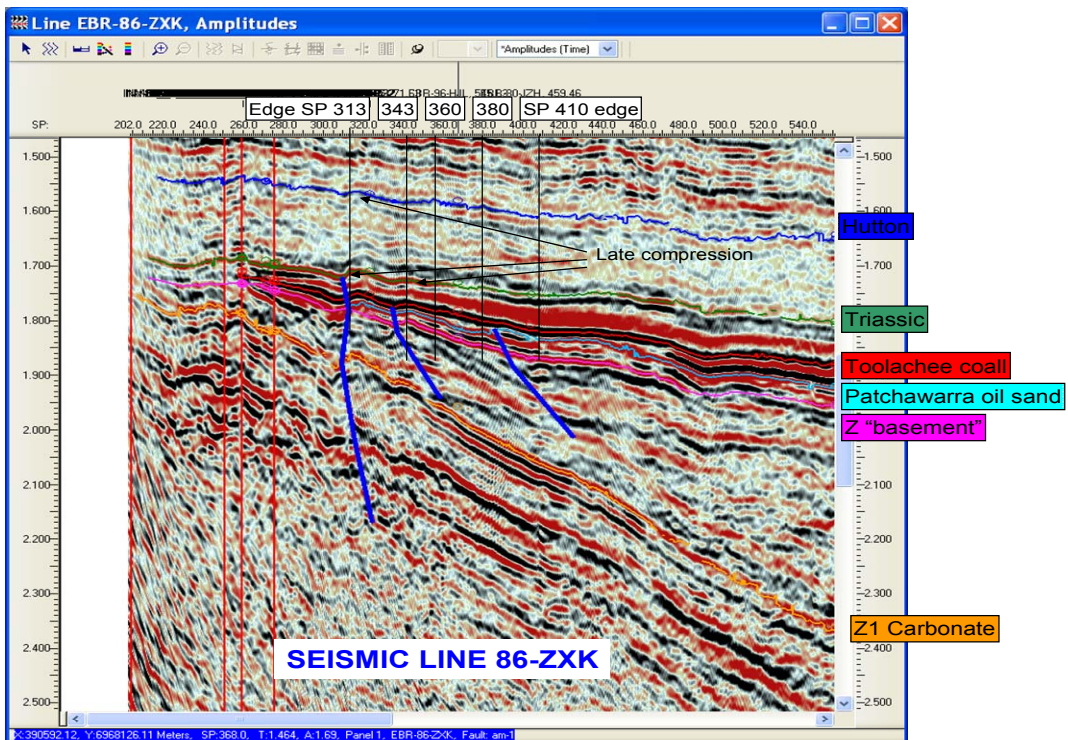
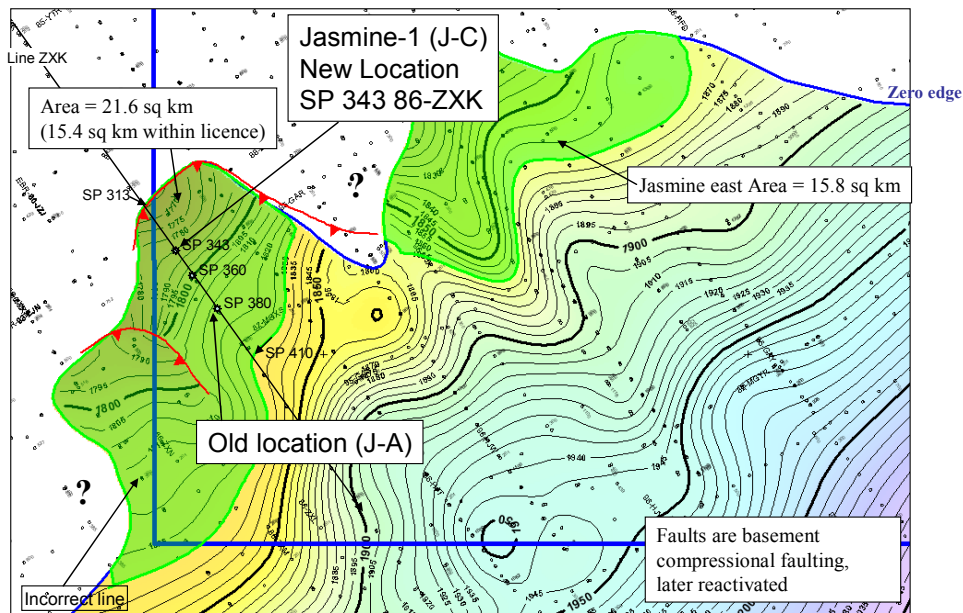
### 2.1.3 EMILY-1 (Small Oil Discovery – drilled off structure?)

Emily No1 was the first well drilled in PEL-182 and produced some 3 barrels of oil from a 1m oil leg at the top of a 6m sand on production test from the Lower Birkhead (which produced 1600 BOPD at the Santos Tarragon -1 oil discovery 6 km to the SW) A review of the existing seismic, and the acquisition of new seismic in the north west of the permit over currently mapped shallower oil prove targeted at Basal Birkhead Level when approved by the Joint Venture, could see either the re-entry and deviation up-dip and testing of the Emily structure, or the drilling of a new step out well up-dip on the Emily feature.

**2.1.4 JASMINE STRATIGRAPHIC OIL PROSPECT – drill late November 2007**

Recent reprocessing of old multi-vintage 2D seismic data, and 2D seismic inversion work, has resulted in upgrading the Jasmine Stratigraphic Oil Prospect in the SW part of PEL-182, and plans are underway to drill this high risk high reward target at new location SP 343 on line 86-ZXK in late November 2007, again using Century Rig-3. Estimated oil resources in the Jasmine Prospect as mapped are: - P10 – 29.9MM P50 – 8.9MM P90 – 2.6MM Bbls Oil (if oil is present) Further potential also exists in the adjacent 15.8 sq km Jasmine East Prospect.

Reprocessed data Oct 08 2007 Petroseis mapping  
 Patchawarra Oil sand - Time Structure - Jasmine Prospect





Century Rig-3 – logging at Vanessa-1 gas discovery

**2.2 VIC/P47 – EBR 25%**  
**GIPPSLAND BASIN OFFSHORE VICTORIA**

Vic/P47 contains the 1989 Shell Judith-1 Emperor Subgroup gas discovery. Judith-1 was evaluated with a full suite of wireline logs, a velocity survey, and 35 formation pressure tests in Emperor gas sands between 2300m and total depth of 2958m. Judith-1 petrophysical analysis indicates a number of potential gas columns. Judith has also been remapped using modern 3-D seismic data. The commercial potential of Judith is being evaluated in a scoping study, the first draft of which was received on 13 April 2007. The project was presented for farmout at the APPEA conference in Adelaide April 16-18, 2007. Farminee interest continues to be evaluated.

**2.3 VIC/P41 - EBR 25% (Diluting to 17.5% Free Carried for the drilling of the first well)**  
**GIPPSLAND BASIN OFFSHORE VICTORIA**

The 500km<sup>2</sup> 3D seismic using the Western Trident has been completed by the operator pursuant to their earning requirements in the permit. A status report on processing and interpretation has been received. Final interpretation is complete and a direct hydrocarbon indicator (DHI) – amplitude versus offset study has been reviewed by the Joint Venture partners. A high quality sand observed in the Judith 1 well in VIC/P47 is has been mapped over VIC/P41 which enhanced the farmout presentation by the operator at the APPEA conference. Farminee interest continues to be evaluated.

### 3. NICKEL EXPLORATION

#### 3.1 CARR BOYD JOINT VENTURE - EL 39/491 & EL 39/492 (EBR 70% AND DILUTING)

A Geochemistry review has been received which defined 5 targets. Field investigation is contemplated to finalise the ongoing exploration.

#### 3.2 VICTORIAN JOINT VENTURE EL 5039 AND EL 5040 (EBR 50% AND CONTRIBUTING)

Eagle Bay has been granted the above application areas in Victoria and awaits relevant state authority granting of the permits. The areas were applied for on the basis of a review of prior base metals exploration by CRA and others on known Greenstone belts exhibiting anomalous Nickel geochemistry some under surficial cover. These areas were two of our top three selections in Victoria and demonstrate superior ground availability in Victoria as opposed to Western Australia. Further government requirements are in the process of being complied with.

#### 3.3 FALCON BRIDGE JOINT VENTURE (EBR AND ROCKY MOUNTAIN MINERALS INC 50% EACH) WESTERN AUSTRALIA EL38/1970, P38-3381-4 – APPLICATIONS

Nickel anomalism in ultramafics will be drill tested with the Carr Boyd project when preliminary assessment and grant are completed.

### 4. URANIUM / COPPER / GOLD EXPLORATION

#### 4.1 CULTANA JOINT VENTURE EL 3547 (formerly ELA 105/2000) WHYALLA SOUTH AUSTRALIA – THE ARMY TRAINING AREA (EBR 75%, Minotaur 25%)

No progress has been made in obtaining access from the Department of Defence.

#### 4.2 MYALL CREEK JOINT VENTURE EL 3538 (formerly EL 2800) WHYALLA SOUTH AUSTRALIA (EBR 50%, Minotaur 50%)

A drilling program of 4 reverse circulation and 2 diamond drillholes (497 metres) tested strong geophysical targets (IP) in the Myall Creek area. The rock types intersected indicate the geophysical anomalies are caused by iron rather than copper-bearing sulphides. The drilling was supported through a PACE drilling initiative grant.

#### 4.3 MUNGLINUP URANIUM EXPLORATION WESTERN AUSTRALIA E74/403 AND E74/404

Based on government airborne spectrometer results two exploration licences have been taken out over areas of uranium anomalism. These were field tested with the company's new uranium spectrometer and assays are awaited.

#### **4.4 ULEY SOUTH URANIUM PROJECT – SOUTH AUSTRALIA - EBR 100%**

Field recognisance in Sept-Oct 2007 resulted in the identification of a high quality uranium resource in the Lincoln Granite which has eroded into the shoulder area of an existing lake. This higher elevation shoulder had anomalous uranium radioactivity counts and samples are being assayed.

#### **5. VIC P65 OFFSHORE GIPPSLAND BASIN (PREVIOUSLY VO6-4) (EBR 100% )**

This permit has been offered and accepted. A large deep water structure has been mapped with a report awaited. Some 5 wells will be drilled to the immediate North or East of the permit by others in the current round of Offshore Gippsland Drilling the results of which may affect VIC P65. A seismic vessel has been contracted for first quarter in 2008 for 300 kilometres of 2D seismic.

#### **6. CORPORATE MATTERS**

**6.1** The board of Eagle Bay has been reorganised following the resignation of Executive Chairman, Mr Anthony Rechner. Ms Linda Bell has taken on the responsibilities of a director as well as her duties as Company Secretary, Mr Jim Craib has assumed responsibilities of Non-executive Chairman and Mr John Roy continues as Non-executive director.

The board has initiated a search for a Managing Director, but a suitable candidate has not yet been found.

The Eagle Bay board has had some informal discussions with potential merger partners over the past weeks, some of which have been discontinued and others are ongoing. Potential success from any of these discussions is far from certain, not at a very advanced stage, and will take significant time and work.

**6.2** On 29 October 2007 Mr Rechner reimbursed the company for the legal fees paid on his behalf. The provision of \$750,000 has been reversed in the accounts.

**By order of the Board**  
**Eagle Bay Resources N.L.**

*The Oil and Gas information on PEL-182 in this report is based on information compiled by Mr Ian R Barr who is a geophysicist of the company and a Competent Person as described in Appendix 5A to the ASX Listing Rules. The report accurately reflects the information compiled by Mr Ian R Barr. Mr Barr consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Eagle Bay Resources NL

ABN

14 051 212 429

Quarter ended ("current quarter")

30 September 2007

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	--	--
- Management fees received		
1.2 Payments for (a) exploration and evaluation	(757)	(757)
(b) development	--	--
(c) production	--	--
(d) administration	(391)	(391)
(e) bank guarantee	--	--
1.3 Dividends received	--	--
1.4 Interest and other items of a similar nature received	90	90
1.5 Interest and other costs of finance paid	--	--
1.6 Income taxes paid	--	--
1.7 Other – legal fees (subsequently reimbursed to company in October)	(380)	(380)
JV Contribution	--	--
Sundry	--	--
<b>Net Operating Cash Flows</b>	<b>(1,438)</b>	<b>(1,438)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	--	--
(b)equity investments	--	--
(c)other fixed assets	--	--
1.9 Proceeds from sale of: (a)prospects	--	--
(b)equity investments	--	--
(c)other fixed assets	--	--
1.10 Loans to other entitles	--	--
1.11 Loans repaid by other entities	--	--
1.12 Other (provide details if material)	--	--
<b>Net investing cash flows</b>	<b>--</b>	<b>--</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,438)</b>	<b>(1,438)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,438)	(1,438)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	--	--
1.15	Proceeds from sale of forfeited shares	--	--
1.16	Proceeds from borrowings	--	--
1.17	Repayment of borrowings	--	--
1.18	Dividends paid	--	--
1.19	Other (provide details if material)	--	--
<b>Net financing cash flows</b>		--	--
<b>Net increase (decrease) in cash held</b>		(1,438)	(1,438)
1.20	Cash at beginning of quarter/year to date	6,537	6,537
1.21	Exchange rate adjustments to item 1.20	--	--
1.22	<b>Cash at end of quarter</b>	5,099	5,099

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	78
1.24	Aggregate amount of loans to the parties included in item 1.10	--

1.25 Explanation necessary for an understanding of the transactions

All transactions involving directors and associates were on normal commercial terms

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	--	--
3.2 Credit standby arrangements	--	--

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	960
4.2 Development	--
<b>Total</b>	960

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	353	696
5.2 Deposits at call	4,746	5,841
5.3 Bank overdraft	--	--
5.4 Other (provide details)	--	--
<b>Total: cash at end of quarter (item 1.22)</b>	5,099	6,537

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Number issued	Number quoted	Par value (cents)	Paid-up value (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	288,222,499	288,222,499		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	88,932,845 3,250,000	88,932,845 --	<i>Exercise price</i> 15c 15c	<i>Expiry date</i> 30/6/2009 30/6/2010
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 31 October 2007  
(Company Secretary)

Print name: Linda Bell

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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